

Message Text

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44

ACTION NEA-10

INFO OCT-01 EUR-12 EA-06 ISO-00 AEC-05 AID-05 CEA-01

CIAE-00 CIEP-01 DODE-00 EB-04 FEAE-00 FPC-01 H-01

INR-05 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01

SAM-01 OES-02 SP-02 SS-15 STR-01 TRSE-00 FRB-01

DOT-00 FMC-01 CG-00 COA-01 DLOS-03 SWF-01 /097 W

----- 091424

R 131240Z NOV 74

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 1471

USDOC WASHDC

INFO USINT ALGIERS

AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY DOHA

AMCONSUL DHAHRAN

AMCONSUL EDINBURGH

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY TRIPOLI

AMEMBASSY TEHRAN

AMEMBASSY SEOUL

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EO 11652: NA

TAGS: EFIN BMEP ENRG EWWT KU

SUBJ: KUWAIT CONTINUES PUSH EXPANSION OF CARGO AND TANKER FLEETS

REF: A) KUWAIT 4613; B) KUWAIT 4005; C) KUWAIT 3132; D)

KUWAIT A-36, 5/15/74

1. EMBOFF HAD OPPORTUNITY TO DEBRIEF KNOWLEDGEABLE INDIVIDUAL

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WHO RECENT MET WITH SELECTED KEY OFFICIALS IN KUWAIT'S SHIPPING

INDUSTRY. AS ADDRESSEES MAY BE AWARE, KUWAIT PROBABLY MOST ACTIVE OF OAPEC STATES IN EXPANDING ITS CARGO AND TANKER FLEETS. MOREOVER, OAPEC'S ARAB MARITIME PETROLEUM TRANSPORT CO IS BASED HERE AND MANAGED BY A KUWAITI, FURTHER ENHANCING KUWAIT'S BID TO BECOME A REGIONAL COMMERCIAL SHIPPING POWER.

2. MOST SIGNIFICANT RECENT DEVELOPMENTS ARE KUWAIT SHIPPING COMPANY'S YET UNANNOUNCED PURCHASE OF TEN ADDITIONAL CARGO SHIPS FROM SOUTH KOREAN SHIP YARD HYUNDAI SHIPBUILDING AND HEAVY INDUSTRIES AT PURCHASE PRICE \$150 MILLION. GOK IS BACKING KSC BY GRADUALLY INJECTING ADDITIONAL KD 50 MILLION INTO COMPANY (KD 1 EQUALS \$3.38) PROBABLY THROUGH LOAN. GOK PRESENTLY OWNS 76.9 PERCENT OF KSC.

3. THIS ORDER IN ADDITION TO KSC'S 32 SHIPS TALLING 600,000 DWT PRESENTLY IN OPERATION OR ON ORDER. BY MAY 1977 KSC HOPES HAVE ALL 42 SHIPS IN OPERATION AND HAS PLANS TO EXPAND TO 75 SHIPS BY 1985. TO DATE, KSC HAS HAD NO OFFERS FROM US SHIP-YARDS. WE UNDERSTAND SOUTH KOREANS GOT THIS ORDER BECAUSE THEY CALLED ON KSC JUST AFTER IT HAD RECEIVED REFUSAL TO BUILD SHIPS FROM GOVAH SHIPYARD OF SCOTLAND, WHICH HAS BUILT OR HAS UNDER CONSTRUCTION SHIPS FOR KSC AND ALLEGEDLY WANTED DIVERSIFY ITS CUSTOMERS. EVIDENTLY, KOREANS TERMS WERE RIGHT AND KUWAITIS ARE TO PAY TEN PERCENT DOWN AND COMPLETE PAYMENTS IN INSTALLMENTS WHILE SHIPS UNDER CONSTRUCTION. KSC OFFICIAL TOLD SOURCE SHIPS THEY RECENTLY BOUGHT AT KD3.7 MILLION ALREADY HAVE MARKET VALUE OF KD8.3 MILLION.

4. OF FURTHER INTEREST ARE REPORTS THAT GOK AND KUWAIT OIL TANKERS CO (KOTC) ARE NEARING FINAL AGREEMENT TO FORM NEW COMPANY TO OWN AND OPERATE FOUR LPG TANKERS GOK ORDERED LAST SPRING FROM LA CIOTAT IN FRANCE. UNDER AGREEMENT KOTC WOULD OWN 60 PERCENT AND GOK 40 PERCENT OF COMPANY. THIS COMES ON HEELS OF GOK DECISION PURCHASE 49 PERCENT OF KOTC IN ORDER HELP IT QUICKLY EXPAND (SEE REF A).

5. COMMENT: WE CONTINUE BE IMPRESSED BY AMOUNTS OF MONEY KUWAITIS COMMITTING TO EXPANSION THEIR SHIPPING INDUSTRY. IT APPEARS AMID CONCERN OVER KUWAITI RECYCLING AND INVESTMENT POLICIES, KUWAIT'S SIZEABLE PLANS FOR PURCHASES OF CAPITAL GOODS AS LIMITED OFFICIAL USE

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BEST EXEMPLIFIED BY EXPANSION OF SHIPPING INDUSTRY BEING GIVEN LITTLE IF ANY ATTENTION BY US. EXCLUDING RECENT DEFENSE EXPENDITURES, PURCHASE OF NEW SHIPS AT PRESENT PROBABLY LARGEST KUWAITI COMMITMENT OF FUNDS FOR ANY SINGLE VENTURE. WITH IT INCREASINGLY LIKELY THAT CONGRESS WILL PASS LAWS REQUIRING 30 PERCENT OF ALL PETROLEUM OR PETROLEUM PRODUCTS ENTERING US BE CARRIED IN US FLAG VESSELS, WE WONDER IF ENOUGH ATTENTION BEING GIVEN TO LIKELIHOOD THAT NUMBER OF OPEC NATIONS

BUILDING THEIR OWN TANKER FLEETS, AND MAY SOME DAY SIMILARLY
REQUIRE THAT CERTAIN PERCENTAGES OF THEIR PRODUCTION EXPORTED
TO CONSUMING NATIONS BE CARRIED IN THEIR FLAG VESSELS; THEREBY,
CREATING ANOTHER AREA IN WHICH PRODUCER AND US POLICIES
WILL CONFLICT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC GROWTH, BUSINESS FIRMS, CARGO SHIPS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974KUWAIT04858
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740327-0473
From: KUWAIT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741148/aaaabohn.tel
Line Count: 121
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A) KUWAIT 4613; B) KUWAIT 4005; C) K, UWAIT 3132; D)
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 26 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 JUN 2002 by kelleyw0>; APPROVED <17 MAR 2003 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: KUWAIT CONTINUES PUSH EXPANSION OF CARGO AND TANKER FLEETS
TAGS: EFIN, BEXP, ENRG, EWWT, KU
To: STATE COM
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005